



PERSonnel UPDATES

The Newsletter for Authorized Agents & Personnel/Payroll Officers

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Events & Mailings

2005 Legislation

The following proposed legislation was submitted for the 59th Session and if passed and signed by the governor will become effective August 1, 2005 unless otherwise noted.

HB 1069

This bill allows for members retiring at or after their full retirement age to elect a Partial Lump Sum Option (PLSO). A retiring member may elect to take a partial lump sum distribution equal to 12 monthly payments of his/her Single Life/Normal retirement benefit. If this election is made, the member's monthly benefit would be permanently reduced. Members would still be permitted to choose one of the optional forms of payment for their continuing monthly benefit (e.g. Joint & Survivor or Term Certain Options). The amount of reduction in a member's monthly benefit will depend on the retiree's age. Most retirees who elect this option will still receive a monthly benefit equal to approximately 90% of the amount they would have received had they not elected this option. The PLSO would be eligible for roll over to IRA or other qualified plan. If not rolled over, PLSOs are taxed as ordinary income and are subject to automatic 20% withholding. Because a PLSO will increase most members' taxable income significantly in the year it is paid, those members will pay federal income tax on the PLSO at a higher rate than usual. Members younger than 55 who elect a PLSO and do not roll it over are also subject to a 10% penalty tax under the IRS Section 72(t).

This bill also removes the Five (5) Year Term Certain optional form of retirement benefit and replaces it with a 20 Year Term Certain.

Finally, this bill amends the way the 4% employee retirement contribution is paid into the Defined Benefit Main System, Highway Patrol, and Defined Contribution Plans for returning reservists. For more detail about this change, please refer to the article in this newsletter entitled **Returning Reservists & PERS Retirement Plans**. This portion of the bill has an effective date of July 1, 2005.

HB 1070

This bill changes the final average salary calculation for the Highway Patrol Retirement System. For member's retiring effective August 1, 2005 and thereafter, the final average salary calculation will be the highest **non-consecutive** months in the last 120. Currently the final average salary calculation is the highest **consecutive** months in the last 120 months.

In addition, this bill provides that if the NDPERS board determines that the fund has obtained a total return on investments of 11.2% or higher for the fiscal year ending June 30th, 2005, **members who have retired on or before June 1st, 2005 will receive a one-time supplemental payment equal to 50% of their monthly benefit paid in January 2006.** If the return as of June 30th, 2005 is less than 11.2%, than the return as of June 20th, 2006 will be evaluated. If this return is 11.2% or higher, members who have a retirement effective date on or before June 1, 2006 will receive the one-time supplemental payment equal to 50% of their monthly benefit paid in January 2007.

The supplemental payment will be made in either year of the biennium, but not in both.

HB 1266

This bill relates to returning to employment after retirement. Employees who retire at or after their full retirement age and who

subsequently become employed with a different participating employer group may elect to permanently waive future participation in the retirement and retiree health credit plans. Before reenrolling in NDPERS, the employee may permanently waive future participation in NDPERS and maintain retirement status.

North Dakota state agencies are considered one employer group and any member retiring with one state agency and becoming reemployed with another state agency would not be eligible for the provisions of HB 1266. The following retired members may be eligible for the provisions of HB 1266:

Past Employer to New Employer

State	Political Subdivision
Political Subdivision	State
Political Subdivision	Political Subdivision

HB 1266 has an emergency clause and will be effective immediately following the governor's signature.

EPO Open Enrollment

NDPERS is currently working with BCBSND to finalize the [EPO open enrollment](#) dates for 2005. Enrollment information will be mailed approximately two (2) weeks prior to the beginning enrollment date to NDPERS members that reside within a 50 mile radius of an EPO network. NDPERS will not be conducting enrollment meetings this year. The enrollment information we are sending to members will be posted on the NDPERS website during the EPO open enrollment period. If an employee misplaces their enrollment information, they will have to download it from the NDPERS website as we are not printing additional information packets.

Please use the following procedures:

An [Employee Selection Form](#) indicating the subscriber's EPO affiliation choice must be completed and returned to the payroll office. Payroll must forward the form to the NDPERS office. This form must also be completed if a subscriber wants to cancel EPO participation. **DO NOT SEND THE EPO SELECTION FORM TO BCBS, they must be sent to the NDPERS office.**

An [Out-of-Area Waiver Form](#) should be completed by the contract holder for any child(ren) covered under the health policy that reside outside of the

EPO provider area. Please read the [Out-of-Area Waiver Form](#) guidelines.

Keep in mind that if an employee is currently enrolled in the EPO plan and wishes to continue their participation with their current EPO provider they do not need to do anything.

NDPERS 2005 Payroll Conference

The NDPERS 2005 Payroll Conference is scheduled for June 8th & 9th. The conference will be held in Bismarck. This conference will also be available on web cast. The payroll conference is designed for all Authorized Agents and individuals who are responsible for explaining NDPERS benefits, enrolling new employees, reporting personnel changes, processing payroll deductions for programs administered by PERS, reconciling monthly group insurance billings and completing transmittal of deduction reports for the retirement and deferred compensation plans. New legislative changes as well as new policies and procedures will be addressed.

Additional information will be sent using e-mail. We will also post information on our website as the scheduled dates get closer.

New Carrier for Group Life Plan

In October the PERS Board went out to bid for the group life plan in compliance with its established policy that every 6 years we must conduct a Request for Proposal process for our group insurance plans. Bids were due in December.

Nine carriers responded to our request. The field was narrowed to the following two bidders:

- **ING (current carrier)**
- **Prudential**

Based on its responses to the RFP and price competitiveness, the Board selected Prudential as the new life carrier.

Employer Based Wellness Program Coming Soon

The NDPERS Board has directed staff to develop an employer based wellness program, pursuant to N.D.C.C. 54-52. 1-14, which states: *"The board shall develop an employer based wellness program. The program must encourage employers to adopt a board-developed wellness program by either charging extra*

health insurance premium to nonparticipating employers or reducing premium for participating employers." The employer based wellness program will provide a premium discount option of 1% to employers. You will receive more information very soon!

Important Updates

Returning Reservists & PERS Retirement

PERS has received a number of calls from employees returning from active military duty. The active duty may be covered under the Uniformed Services Employment and Re-employment Rights Act, (USERRA). To notify PERS of the return, a [Notice of Status or Employment Change SFN 53611](#) must be completed by the employee's employer. Additional information regarding how the leave of absence impacts the PERS retirement plan for these returning reservists is available under the NDPERS News section.

As mentioned in the previous article, legislation proposed in HB 1069 will amend the way the 4% employee contribution is paid into the Main System Defined Benefit, Highway Patrol and Defined Contribution Plans for returning reservists. Specifically the changes are:

1. For eligible veterans returning after the passage of the bill, the employer must pay the employee contribution for missed service for returning veterans in the same manner that the employer would have paid it had the veteran not been called into active duty.
2. For eligible veterans who returned to service since the passage of the Uniform Services Employment and Reemployment Rights Act, which became effective October 1, 1994, the employer must pay the employee contribution for that service in the same manner as outlined above in #1. An appropriation is provided in section 19 of HB 1069 for this purpose.
3. Provides that any past payments made by returning veterans that would qualify for employer payment since the passage of USERRA would be refunded to the employee and paid by the employer.

The above changes our present statute which requires the returning eligible veteran to pay the employee contribution of 4% for past service. The bill will have an effective date of July 1, 2005. The amendment requires that the veteran make application to the employer. To assist in the application process, PERS will be revising the [Purchase Agreement for USERRA Covered Military Active Duty SFN 17758](#) and posting it to the PERS website by July 1. This form is required so that the cost of the purchase can be determined.

USERRA Poster Available

The Veteran's Benefits Improvement Act of 2004 (Act), signed into law December 10, 2004, amended the Uniform Services Employment and Reemployment Rights Act (USERRA) by adding a provision which required an employer to provide a notice of the rights, benefits and obligations of both the employer and employee under USERRA.

Effective March 10, 2005, employers are required to provide such notice to "persons entitled to rights and benefits". For a copy of the notice in poster format, please visit

<http://www.dol.gov/vets/programs/usera/poster.pdf>

The notice must be posted where employee notices are customarily placed in your workplace.

The Magic Number

Once again the PERS 457 Deferred Compensation Plan has attained the magic number of 13. Thirteen what you ask? Thirteen (13) available Provider companies from which employees can choose in selecting a supplemental retirement savings plan Provider. New companies have been added to the list and some Providers have changed names. You will find details about the Provider companies on the PERS web site. Following is a list of the Provider companies:

- American Trust Center
- Jackson National Life Insurance Co.
- AXA Equitable Life Insurance Co.
- Nationwide Life Insurance
- Bank of North Dakota
- Sunset Life Insurance Company of America
- Chase Insurance

- Symetra Life
- Companion Plan/Fidelity Investments
- VALIC
- Hartford Life Insurance Co.
- Waddell & Reed Financial Services
- ING Investment Services, Inc.

FlexComp Plan – New Forms & Guide (State Agencies and Participating District Health Units, excludes Higher Education)

Updated FlexComp forms and program guide are now available on our website.

Forms:

- [Continuation of Coverage in a Medical Spending Account \(COBRA\) SFN 53512](#)
- [Authorization for Direct Deposit of FlexComp Reimbursements SFN 53852](#)
- [FlexComp Change in Status SFN 53511](#)

Publications:

- [FlexComp Program Guide](#)

Please destroy all old forms and hard copies of the Program Guide.

Part-time/Temporary Employees

Participation requirements for part-time/temporary employees have recently been clarified by the Attorney General's Office. Part-time/temporary employees can not participate in the NDPERS Defined Benefit Plan if they are actively contributing to another employer-sponsored pension fund. This means ANY other pension fund, public or private.

Because of this clarification additional language has been added to the [Agreement/Waiver of Participation for Optional Participants SFN 17627](#). Specifically, the following language was added: "I understand that I can not elect to participate in the North Dakota Public Employees Retirement System as a part-time/temporary employee if I am actively contributing to another employer sponsored pension fund (public or private)."

An updated version of the [Agreement/Waiver of Participation for Optional Participants SFN 17627](#) has been added to the NDPERS website.

Any forms that have a revision date prior to 3/05 will no longer be accepted.

If you have any questions, please contact Rebecca Fricke or Sharmain Dschaak at (701) 328-3900.

2004 Comprehensive Annual Financial Report

NDPERS prepares a [Comprehensive Annual Financial Report](#) as of June 30 of each year. This [report](#) contains detailed financial, investment, actuarial and statistical information for the plans administered by NDPERS. You can view, download or print the [report](#). You may also request a printed copy by sending an email to khumann@state.nd.us or by calling the PERS office. If you have any questions on the report, contact Sharon Schiermeister.

Board Meeting Highlights

Complete [meeting minutes](#) are available.

December 16, 2004

- Reviewed the Smoking Cessation program and approved modifications to the plan through February 2005.
- Discussed two additional bills that were being introduced in the Legislature relating to NDPERS plans.
- Reviewed information relating to participants of the Defined Contribution plan and their savings for retirement in this plan.
- Was informed of the upcoming addition of American Trust Center as a 457 Deferred Compensation plan provider.

January 20, 2005

- Were provided with an overview of the audit for the year ending June 30, 2004.
- Reviewed adverse selection and approved a change in the contract relating to employer participation in the Health Insurance plan.
- Discussed a federal law change regarding small benefit distributions that will impact the Defined Contribution and 457 Deferred Compensation plans.
- Approved allowing rollover contributions from other eligible retirement plans into the 457 Deferred Compensation plan.
- Directed staff to develop a policy that requires employees to make

an election if they wish to waive their rights to PEP and to simplify the process to enroll employees in the 457 Deferred Compensation plan if they elect not to waive their rights.

- Approved a plan of review for possibly changing Rx networks effective January 1, 2006.

February 28, 2005

- Were provided information from BCBS on the NDPERS Health Insurance plan rate re-projection analysis.

Look forward to receiving via email your next edition of the PERsonnel Updates @ July 15, 2005.

This newsletter is intended to provide general information and may not be considered to be a legal interpretation of law. Statements contained in this newsletter do not supersede the North Dakota Century Code or Administrative Code or restrict the authority granted to the Retirement Board. This information is subject both to changes made by the legislature and rules and regulations established by the Board of the North Dakota Public Employees Retirement System.

